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Washington report, vol. 8 no.46, January 14, 1980

American Institute of Certified Public Accountants.

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Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 8 no.46, January 14, 1980" (1980). *Newsletters*. 726.
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AICPA *Washington Report*

January 14, 1980, Volume VIII, Issue 46

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COUNCIL ON WAGE AND PRICE STABILITY

Interim final second-year price guidelines for financial institutions and insurance companies have been released by the Council (see the 1/8/80 Fed. Reg., pp. 1816-18). The guidelines are only slightly changed from standards issued during the first program year. Most notably, the financial institution standard has been extended to cover sales-finance and consumer-finance companies. Additionally, the second year alternative standard has been relaxed, allowing the limitation on average prices for services to rise instead of being held constant. The effective date for the interim standard is 1/1/80. Companies covered by the special standards are requested to submit Form CO-1 (Price) by 2/15/80 or 15 days after publication of the final rules, whichever occurs later. Comments are sought by 2/7/80. For further information contact Arthur Corrazzini at 202/456-7730.

FEDERAL HOME LOAN BANK BOARD

Authorization to make, purchase, and participate in renegotiable rate mortgage instruments, is being considered for Federal savings and loan associations, according to a proposed rule of the FHLBB (see the 1/7/80 Fed. Reg., p. 1425). According to the Board, this rule, if adopted, is intended to offer an additional instrument for mortgage lending by the S & L's, and is partially the result of a year-long study of the rollover mortgage (ROM) long popularized in Canada. Comments must be received by 3/4/80. For additional information contact Nancy L. Feldman at 202/377-6440 or Richard Marcus at 202/377-6752.

In a related matter, the FHLBB may continue to approve conversions of S & L's to stock institutions, even though the statutory authority provided by Congress has long since expired, according to a recent ruling by a U.S. District Court judge last week. An appeal of the judge's ruling is likely because the continued conversions were described as illegal by GAO and Senate Banking Committee representatives who testified.

FHLBB has elected to drop rules concerning management interlocks which are now superceded by the provisions of the Management Official Interlocks Act. The prohibitions contained in the Act effectively incorporate the Board's prohibitions regarding the service of a salaried officer of an insured institution on the board of a competitive institution. Therefore, the Board is proposing a deletion of these rules. In addition, the Board is proposing the exemption from disclosure of insured institutions whose boards are not in compliance with these guidelines because their directors are serving on the boards of competitive institutions at the request of the Federal Savings and Loan Insurance Corporation. Comments are requested by 3/10/80. For further information call Kathleen Topelius at 202/377-6444.

FEDERAL TRADE COMMISSION

The FTC does not have authority to override state laws and preempt state regulation with respect to certain professions. That is the purpose of an amendment to be introduced by Sen. James A. McClure (R-ID) to S. 1991, the "Federal Trade Commission Act of 1979", when the bill is allowed to reach the Senate floor for an expected spirited debate. This bill, which does not contain a legislative veto, is more restrictive than the House version, H.R. 2313 (see the 11/26/79

Washington Report). Additionally, it seeks to extend authorizations for FTC appropriations, curtail FTC jurisdiction, and change its procedures for adjudications and rule making. H.R. 2313, which contains a legislative veto provision, was passed on 11/29/79 in the House by a vote of 321-63. The bill, placed on the Senate calendar, has not been scheduled for action. It is anticipated that Sen. Harrison H. Schmitt (R-NM) will introduce an amendment to S. 1991 to provide for a legislative veto. It is unclear whether the Senate, having refused in the past, will sustain Sen. Schmitt's anticipated amendment. It is clear that such a provision is likely to result in a Presidential veto. On 1/2/80, President Carter vetoed S. 2096, a bill which contained a provision analogous to a legislative veto. President Carter is adamant that legislative veto devices are unconstitutional intrusions into the day-to-day administration of law by the Executive Branch.

In a related matter, FTC Chairman Michael Pertschuk has disqualified himself from the current FTC investigation into children's advertising on TV ("Kid-Vid"). Chairman Pertschuk's involvement in this controversial rule making proceeding was recently sustained by a U.S. Court of Appeals. Some FTC critics are apparently viewing his action as an attempt to get Congress to allow the proceeding to continue. Current legislation pending before Congress would halt the inquiry.

OFFICE OF MANAGEMENT AND BUDGET

A Checklist booklet for new agencies designing and implementing financial management systems has been published by the OMB - Joint Financial Management Improvement Program. Copies are available through the Joint Financial Management Improvement Program at 202/376-5415.

PENSION BENEFIT GUARANTY CORPORATION

An amendment to the interim regulation on the Valuation of Plan Benefits has recently been issued by the PBGC (see the 1/10/80 Fed. Reg., pp. 2026-27). The change prescribes the interest rates and factors the PBGC will use to value benefits provided under terminating pension plans covered by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA). The valuation is necessary because if the assets to pay all guaranteed benefits provided under the plan are insufficient, the PBGC will pay the unfunded benefits under the plan termination insurance program. The amendment adopts the rates and factors applicable to plans that terminated on or after 1/1/79, but before 12/1/79 and enables the PBGC to value the benefits provided under those plans. The amendment is effective as of 1/10/80. For further information contact Nina Hawes at 202/254-4895.

SECURITIES AND EXCHANGE COMMISSION

Accountant Liability for Reports on Unaudited Interim Financial Information Under Securities Act of 1933, the subject of a final SEC rule, is now available in the SEC Public Reference Room, 1100 L Street, N.W. Washington, D.C. 20459 (SEC Release No. 33-6173; AS-274). The rule, adopted at an SEC open meeting on 12/12/79, excludes accountants from some liability under section 11(a) of the 1933 Act for certain unaudited reports and relates to SAS 24 (see the 12/17/79 Washington Report).

An "impressive package" of four proposals, according to SEC Chairman Harold Williams, was issued as a result of an SEC open meeting, 1/10/80. The goal of the proposals according to the SEC's Division of Corporate Finance, is to reduce paperwork for registrants, while reducing the time required by the SEC to review the filings. These proposals, expected to be published shortly in the Federal Register, will be the subject of accounting releases from the SEC and will address potential revisions to Form 10-K; Articles 3 and 5 of Regulation S-X; and a proposal for Form S-15, with a request for comments. Form S-15, according to the SEC, is a simplified form with applicability to certain mergers and reorganizations. In a move to facilitate small business capital formation, the SEC adopted Rule 242 which will enable small issuers to raise up to \$2 million every six months from the sale of their securities. Sales can be made to an unlimited number of "accredited persons," a definition changed by this rule, and up to 35 non-accredited persons. Rule 242, which contains differences from the original proposed rule, will be effective for sales and offers made after 2/25/80. Pooled income funds maintained by public charities were also considered. An expected release will address treatment of those funds, as covered by section 642(c) (5) of the IRS Code of 1954, and discuss the rationale for potential SEC enforcement action.

Confidential treatment for records submitted to, or obtained by, the SEC was the subject of SEC proposed rule making announced on 1/8/80. The SEC is seeking to provide a procedural framework designed to allow persons who submit records to the Commission to assert a claim that disclosure of the records would not be required under the Freedom of Information Act for reasons of personal privacy or business confidentiality. The confidential treatment rules will provide the Commission with procedural rules upon which to balance the impact of disclosure as it effects the Commission's continuing ability to acquire information as well as the legitimate private interest in non-disclosure. Comments may be submitted by 3/5/80. For further information contact Mitchell Demlin at 202/272-2454.

The Securities and Exchange Commission is seeking applicants for professional accountant positions. Immediate positions are expected to be filled in the Division of Corporation Finance between February and May 1980. Applications received will also be considered for positions in the other divisions as they occur. The principal duties of the positions involve the review of financial statements included in filings in annual reports on Form 10-K and in registration statements filed under the Securities Act of 1933. The review is directed to determining that the financial statements have been prepared in accordance with generally accepted accounting principles and that all appropriate disclosures are included in the financial statements. Other duties may include audit functions involving special examinations, internal audits, bankruptcy audits, and general investigative accounting matters. Positions will be filled at the GS-11 (\$20,611 pa), GS-12 (\$24,703 pa), or GS-13 (\$29,375 pa) levels, depending upon experience. A minimum of three years of professional accounting experience is required with an emphasis in corporate financial reporting practices. Applicants are expected to be up-to-date in their understanding of current accounting requirements and must have good writing and oral communication skills. Although a CPA certificate is not essential, applicants must have a level of understanding of GAAP that would be required to pass the CPA examination. Application forms (Standard Form 171) and further information may be obtained by writing to Ms. Patterson, Office of Personnel, Securities and Ex-

change Commission, 500 N. Capitol Street, Washington, D.C. 20549. All applications received will be reviewed and rated in accordance with requirements established by the Office of Personnel Management (formerly the Civil Service Commission).

TREASURY, DEPARTMENT OF

Clarification of the tax treatment of Partnership Organization and Syndication fees are the subjects of proposed IRS regulations (see the 1/11/80 Fed. Reg., pp. 2349-50). The proposals are amendments to existing regulations under code sections 707 and 709 in the Tax Code of 1954, and conform to regulations of the Tax Reform Act of 1976. The new regulations reflect the general rule that no income tax deduction is allowed to a partnership for organizational expenses incurred after 12/31/75 or any expenses to organize or promote the sale of any interest in the partnership. An exception does provide for the amortization of organizational costs by the partnership if electing to do so for taxable years beginning after 12/31/76. The election must be made on the partnership's return or amended return for the taxable year in which the partnership began business. In addition, the proposed rules define syndication expenses, which cannot be amortized and state that for a guaranteed payment to be deductible by the partnership it must meet the same tests under tax code section 162(a) as if it had been made to a person who is not a member of the partnership.

SPECIAL: CPA IS VIRGINIA'S NEW COMPTROLLER

Edward J. Mazur, CPA, has been appointed by Virginia Governor John Dalton as the State's new comptroller, effective 2/15/80. Prior to this appointment, Mazur's experience included work with the public accounting firm of Coopers & Lybrand, and as a Manager of the Federal Government Division, AICPA.

SPECIAL: AICPA CONFERENCE ON FEC REQUIREMENTS

Compliance with Federal Election Commission Requirements will be the topic of an AICPA training seminar to be held February 11 and 12, 1980 at the Hyatt Regency Hotel, Washington, D.C. The conference is being sponsored by the AICPA to train individuals who will advise candidates for federal offices on compliance matters. Subject matter covered in the program will be applicable to Presidential, Senatorial and Congressional campaigns. Participating on the program are experts from AICPA membership, FEC officials, representatives of 5 Presidential campaign committees and other national political leaders. There is no registration fee for participants and continuing professional education (CPE) credits will be offered. For further information contact Mary Frances Widner, Manager, Government Relations, AICPA, 1620 Eye Street, N.W., Washington, D.C. 20006, 202/872-8190.

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